

**REPORT OF THE AUDIT OF THE  
ESTILL COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2014**



**MIKE HARMON  
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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

Honorable Wallace Taylor, Estill County Judge/Executive

Members of the Estill County Fiscal Court

The enclosed report prepared by Teddy Michael Prater, CPA, PLLC, presents the financial statement of Estill County, Kentucky, for the year ended June 30, 2014.

We engaged Teddy Michael Prater, CPA, PLLC, to perform the audit of this financial statement. We worked closely with the firm during our report review process; Teddy Michael Prater, CPA, PLLC, evaluated Estill County, Kentucky's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Mike Harmon  
Auditor of Public Accounts

Enclosure





**EXECUTIVE SUMMARY**  
**AUDIT OF THE**  
**ESTILL COUNTY FISCAL COURT**

**June 30, 2014**

Teddy Michael Prater CPA, PLLC has completed the audit of the Estill County Fiscal Court for fiscal year ended June 30, 2014.

We have issued an unmodified opinion, based on our audit on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Estill County, Kentucky. In accordance with OMB Circular A-133, we have issued an unmodified opinion on the compliance requirements that are applicable to Estill County's major federal program: Chemical Stockpile Emergency Preparedness Program (CFDA #97.040).

**Financial Condition:**

The Estill County Fiscal Court had total receipts of \$5,406,851, financing obligation proceeds of \$97,933, and disbursements of \$5,482,833 in fiscal year 2014. This resulted in a total ending fund balance of \$377,109, which is an increase of \$21,951 from the prior year.

**Report Comments:**

- |          |  |
|----------|--|
| 2014-001 | County Employees Should Not Be Compensated As Independent Contractors  |
| 2014-002 | The County Should Pay Invoices Within 30 Working Days  |
| 2014-003 | The Fiscal Court Should Approve Annually A Salary Schedule   |
| 2014-004 | Payroll Taxes Should Be Properly Calculated  |
| 2014-005 | The Jailer Did Not Prepare Or Submit An Annual Commissary Report To The County Treasurer   |
| 2014-006 | The Jailer Should Account For Receipts Properly  |
| 2014-007 | The Jailer Should Deposit All Funds Daily  |
| 2014-008 | Excess Restricted Road Funds Were Transferred To The General Fund, Creating A Liability Of \$6,909 Owed From The General Fund To The Road Fund |
| 2014-009 | The Jailer Lacks Adequate Segregation Of Duties Over The Accounting Functions Of The Jail Commissary Fund                                      |

**Deposits:**

The fiscal court's deposits as of June 30, 2014, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$302,508

The fiscal court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.



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To the People of Kentucky  
Honorable Matthew G. Bevin, Governor  
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Honorable Wallace Taylor, Estill County Judge/Executive  
Members of the Estill County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Estill County, Kentucky, for the year ended June 30, 2014, and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the People of Kentucky  
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### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described more fully in Note 1, the financial statement is prepared by Estill County, Kentucky on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Estill County, Kentucky as of June 30, 2014, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Estill County, Kentucky as of June 30, 2014, and its cash receipts and disbursements, for the year then ended, in accordance with the accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Estill County, Kentucky. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The budgetary comparison schedules, capital asset schedule, and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules, capital asset schedule, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statement.

To the People of Kentucky  
Honorable Matthew G. Bevin, Governor  
William M. Landrum III, Secretary  
Finance and Administration Cabinet  
Honorable Wallace Taylor, Estill County Judge/Executive  
Members of the Estill County Fiscal Court

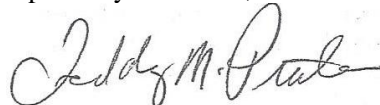
**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2016 on our consideration of Estill County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying schedule of findings and questioned costs included herein, which discuss the following report comments:

- 2014-001 County Employees Should Not Be Compensated As Independent Contractors
- 2014-002 The County Should Pay Invoices Within 30 Working Days
- 2014-003 The Fiscal Court Should Approve Annually A Salary Schedule
- 2014-004 Payroll Taxes Should Be Properly Calculated
- 2014-005 The Jailer Did Not Prepare Or Submit An Annual Commissary Report To The County Treasurer
- 2014-006 The Jailer Should Account For Receipts Properly
- 2014-007 The Jailer Should Deposit All Funds Daily
- 2014-008 Excess Restricted Road Funds Were Transferred To The General Fund, Creating A Liability Of \$6,909 Owed From The General Fund To The Road Fund
- 2014-009 The Jailer Lacks Adequate Segregation Of Duties Over The Accounting Functions Of The Jail Commissary Fund

Respectfully submitted,



Teddy Michael Prater CPA, PLLC

February 23, 2016

ESTILL COUNTY OFFICIALS

For The Year Ended June 30, 2014

**Fiscal Court Members:**

Wallace Taylor	County Judge/Executive
Earl Young	Magistrate
Darrell Johnson	Magistrate
Gerald Rader	Magistrate

**Other Elected Officials:**

Rodney Davis	County Attorney
Bo Morris	Jailer
Sherry Fox	County Clerk
Stephanie Brinegar	Circuit Court Clerk
Gary Freeman	Sheriff
Jeff Hix	Property Valuation Administrator
Tony Murphy	Coroner

**Appointed Personnel:**

Teresa Sparks	Deputy County Judge/Executive
Laura Ann Rogers	County Treasurer
Laura Ann Rogers	Occupational Tax Collector
Christine Brandenburg	Finance Officer

**ESTILL COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2014**

**ESTILL COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2014**

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 1,658,307	\$	\$
In Lieu Tax Payments		16,052	
Excess Fees	109,500		
Licenses and Permits	12,256		
Intergovernmental	87,405	1,300,422	100,613
Charges for Services	280,034	332,571	10,440
Miscellaneous	317,325	70,288	1,128
Interest	3,929	29	19
Total Receipts	<u>2,468,756</u>	<u>1,719,362</u>	<u>112,200</u>
<b>DISBURSEMENTS</b>			
General Government	749,021		
Protection to Persons and Property	390,872		723,648
General Health and Sanitation	98,254		
Social Services	157,467		
Recreation and Culture			
Roads		1,256,738	
Debt Service	73,021	47,889	13,884
Capital Projects		29,004	
Administration	504,678	334,368	122,072
Total Disbursements	<u>1,973,313</u>	<u>1,667,999</u>	<u>859,604</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>495,443</u>	<u>51,363</u>	<u>(747,404)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Financing Obligation Proceeds		97,933	
Transfers From Other Funds	346,272	55,500	778,345
Transfers To Other Funds	(833,845)	(185,000)	
Total Other Adjustments to Cash (Uses)	<u>(487,573)</u>	<u>(31,567)</u>	<u>778,345</u>
Net Change in Fund Balance	7,870	19,796	30,941
Fund Balance - Beginning	35,969	22,794	499
Fund Balance - Ending	<u>\$ 43,839</u>	<u>\$ 42,590</u>	<u>\$ 31,440</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 84,779	\$ 67,765	\$ 50,202
Add: Deposits In Transit			
Less: Outstanding Checks	(40,940)	(25,175)	(18,762)
Fund Balance - Ending	<u>\$ 43,839</u>	<u>\$ 42,590</u>	<u>\$ 31,440</u>

The accompanying notes are an integral part of the financial statement.

**ESTILL COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2014**  
**(Continued)**

Budgeted Funds						
Local Government Economic Assistance Fund	State Grants Fund	Emergency Services Communication Fund	Search And Rescue Fund	CSEPP Fund	911/CMRS Fund	Homeland Security Grant Fund
\$ 8,168	\$	\$	\$	\$	\$	\$
25,888	36,096			780,622		
	10,514	12,553			116,553	
	51,849			22,076		
16		36				
34,072	98,459	12,589		802,698	116,553	
11,213						
10,012	26,117	3,310		713,252	19,247	
2,202	22,590					
165						
20,950	42,363					
	14,153					
	411			70,562	391	
44,542	105,634	3,310		783,814	19,638	
(10,470)	(7,175)	9,279		18,884	96,915	
					(150,000)	
					(150,000)	
(10,470)	(7,175)	9,279		18,884	(53,085)	
15,237	21,220	34,616		103,837	107,516	
\$ 4,767	\$ 14,045	\$ 43,895	\$ 0	\$ 122,721	\$ 54,431	\$ 0
\$ 5,267	\$ 19,298	\$ 43,905	\$	\$ 179,714	\$ 54,431	\$
(500)	(5,253)	(10)		(56,993)		
\$ 4,767	\$ 14,045	\$ 43,895	\$ 0	\$ 122,721	\$ 54,431	\$ 0

The accompanying notes are an integral part of the financial statement.

**ESTILL COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2014**  
**(Continued)**

	<b>Budgeted Funds</b>		
	<b>Planning And Preparedness Fund</b>	<b>Emergency Management Fund</b>	<b>Citizens Emergency Response Fund</b>
<b>RECEIPTS</b>			
Taxes	\$	\$	\$
In Lieu Tax Payments			
Excess Fees			
Licenses and Permits			
Intergovernmental		18,156	
Charges for Services			
Miscellaneous			
Interest			
Total Receipts		18,156	
<b>DISBURSEMENTS</b>			
General Government			
Protection to Persons and Property		3,458	710
General Health and Sanitation			
Social Services			
Recreation and Culture			
Roads			
Debt Service			
Capital Projects			
Administration			
Total Disbursements		3,458	710
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		14,698	(710)
<b>Other Adjustments to Cash (Uses)</b>			
Financing Obligation Proceeds			
Transfers From Other Funds			
Transfers To Other Funds		(11,272)	
Total Other Adjustments to Cash (Uses)		(11,272)	
Net Change in Fund Balance		3,426	(710)
Fund Balance - Beginning	2,500		4,531
Fund Balance - Ending	\$ 2,500	\$ 3,426	\$ 3,821
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 2,500	\$ 3,426	\$ 3,821
Add: Deposit In Transit			
Less: Outstanding Checks			
Fund Balance - Ending	\$ 2,500	\$ 3,426	\$ 3,821

The accompanying notes are an integral part of the financial statement.



**ESTILL COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2014**  
**(Continued)**

**Unbudgeted Fund**

<b><u>Jail Commissary Fund</u></b>	<b><u>Total Funds</u></b>
\$	\$ 1,666,475
	16,052
	109,500
	12,256
	2,349,202
	762,665
24,006	486,672
	4,029
<u>24,006</u>	<u>5,406,851</u>
	760,234
	1,890,626
	123,046
	157,632
20,811	84,124
	1,256,738
	134,794
	43,157
	1,032,482
<u>20,811</u>	<u>5,482,833</u>
<u>3,195</u>	<u>(75,982)</u>
	97,933
	1,180,117
	(1,180,117)
	97,933
3,195	21,951
6,439	355,158
<u>\$ 9,634</u>	<u>\$ 377,109</u>
\$ 8,412	\$ 523,520
2,242	2,242
<u>(1,020)</u>	<u>(148,653)</u>
<u>\$ 9,634</u>	<u>\$ 377,109</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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**ESTILL COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2014**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statement of Estill County includes all budgeted and unbudgeted funds under the control of the Estill County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds include non-fiduciary financial activities that are within the county's control. Unbudgeted funds may also include any corporation created to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

**B. Basis of Accounting**

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

**ESTILL COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Budgeted Funds (Continued)**

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund (LGEA) - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

State Grants Fund - The primary purpose of this fund is to account for state grants. The primary source of receipts for this fund is state grants.

Emergency Services Communication Fund - The primary purpose of this fund is to account for surcharges received from the emergency management communication tower. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Search and Rescue Fund - The primary purpose of this fund is to account for emergency equipment disbursements of the county. The primary sources of receipts for this fund are federal and state grants.

Chemical Stockpile Emergency Preparedness Program (CSEPP) Fund - The primary purpose of this fund is to account for federal CSEPP grant monies, which is the only source of receipts for this fund. Estill County is part of a ten county region in Kentucky that receives federal grant monies to mitigate disasters associated with the Bluegrass Army Depot's chemical stockpile located in neighboring Madison County. The Department for Local Government and the federal government require the fiscal court to maintain these receipts and disbursements separately from the General Fund.

911/CMRS Fund - The primary purpose of this fund is to account for the surcharge taxes for Commercial Mobile Radio Systems (CMRS). The state distributes CMRS monies to counties to supplement 911 operations. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Homeland Security Grant Fund - The primary purpose of this fund is to account for Homeland Security grant monies, which is the only source of receipts for this fund.

Planning and Preparedness Fund - The primary purpose of this fund is to account for state grants used for planning and preparedness for disasters and emergencies in the county.

Emergency Management Fund - The primary purpose of this fund is to account for emergency management grant monies, which is the only source of receipts for this fund.

Citizens Emergency Response Fund - The primary purpose of this fund is to account for grant monies associated with the Central Kentucky Emergency Response Team to help protect the citizens of Estill County.

**ESTILL COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted fund:

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

**D. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of this fund.

**E. Estill County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Estill County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Estill County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**ESTILL COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Deposits and Investments**

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**G. Long-term Obligations**

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

**Note 2. Deposits**

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the fiscal court's deposits may not be returned. The fiscal court does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2014, the fiscal court's bank balance was exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$302,508

**ESTILL COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2014.

	General Fund	Road Fund	911/CMRS Fund	Emergency Management Fund	Total Transfers In
General Fund	\$	\$ 185,000	\$ 150,000	\$ 11,272	\$ 346,272
Road Fund	55,500				55,500
Jail Fund	778,345				778,345
Total Transfers Out	<u>\$ 833,845</u>	<u>\$ 185,000</u>	<u>\$ 150,000</u>	<u>\$ 11,272</u>	<u>\$ 1,180,117</u>

Reason for transfers:

To move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them.

**Note 4. Interfund Receivables and Liabilities**

The table below reflects fund balances after accounting for receivables and liabilities that are not included on the financial statement prepared in accordance with the regulatory basis of accounting.

	General Fund	Road Fund
Fund Balance - Ending	\$ 43,839	\$ 42,590
Interfund Receivables/Liabilities	<u>(6,909)</u>	<u>6,909</u>
Fund Balance - Ending	<u>\$ 36,930</u>	<u>\$ 49,499</u>

**Note 5. Long-term Debt**

**A. Revenue Bonds - Jail Facility**

The Kentucky Local Correctional Facilities Construction Authority (KLCFCA), an independent corporation agency and instrumentality of Kentucky, issued revenue bonds in the amount of \$206,362 for the purpose of constructing a jail facility. On April 1, 1987, the fiscal court subsequently entered into a lease and participation agreement with KLCFCA for \$206,362 principal plus interest on the issue. The principal amount outstanding as of June 30, 2014 was \$13,435. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2015	<u>\$ 13,435</u>	<u>\$ 426</u>
Totals	<u>\$ 13,435</u>	<u>\$ 426</u>

**ESTILL COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**B. Financing Obligation - Refinancing**

On December 31, 2004, Estill County entered into an \$825,000 lease agreement with Kentucky Association of Counties. The purpose of this lease was to retire a portion of the County's outstanding debt and requires monthly principal and interest payments. As of June 30, 2014, principal outstanding was \$144,038. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 54,502	\$ 6,327
2016	46,716	3,291
2017	42,820	1,286
Totals	<u>\$ 144,038</u>	<u>\$ 10,904</u>

**C. Financing Obligation - CAD - GEO 911 Upgrade**

On May 19, 2010, Estill County entered into a \$43,634 lease agreement with Kansas State Bank. The purpose of the lease was for the upgrading of the County's 911 system. This is a five year lease, which requires monthly principal and interest payments. As of June 30, 2014, principal outstanding was \$1,051. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,051	\$ 6
Totals	<u>\$ 1,051</u>	<u>\$ 6</u>

**D. Financing Obligation - Road Equipment**

On October 4, 2010, Estill County entered into a \$100,244 lease agreement with Citizens Guaranty Bank. The purpose of the lease was for the purchase of two Dodge trucks. This is a four year lease, which requires monthly principal and interest payments. As of June 30, 2014, principal outstanding was \$25,244. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 25,244	\$ 339
Totals	<u>\$ 25,244</u>	<u>\$ 339</u>



**ESTILL COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**E. Financing Obligation - Refinance of Short-term Debt**

On August 11, 2012, Estill County entered into a \$87,529 bank note with Citizens Guaranty Bank. The purpose of the note was to pay off the short term debt that was needed to cover payroll and other operating expenses on July 11, 2011. This is a three year note, which requires 2 annual principal payments of \$10,000 each and 2 annual interest payments at 6%, with the remaining balance due on August 11, 2015. As of June 30, 2014, principal outstanding was \$77,529. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 10,000	\$ 4,652
2016	67,529	4,052
Totals	<u>\$ 77,529</u>	<u>\$ 8,704</u>

**F. Financing Obligation – Road Equipment**

On November 22, 2013, Estill County entered into a \$97,933 lease agreement with GE Capital Transportation Finance for the purchase of an International truck. This is a five year lease, which requires yearly principal and interest payments. As of June 30, 2014, principal outstanding was \$76,950. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 18,189	\$ 2,886
2016	18,871	2,204
2017	19,578	1,493
2018	20,312	761
Totals	<u>\$ 76,950</u>	<u>\$ 7,344</u>

**G. Changes In Long-term Debt**

Long-term Debt activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 26,067	\$	\$ 12,632	\$ 13,435	\$ 13,435
Financing Obligations	333,935	97,933	107,056	324,812	108,986
Total Long-term Debt	<u>\$ 360,002</u>	<u>\$ 97,933</u>	<u>\$ 119,688</u>	<u>\$ 338,247</u>	<u>\$ 122,421</u>

**ESTILL COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 6. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent.

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 35.70 percent.

The county's contribution for FY 2012 was \$298,448, FY 2013 was \$414,776, and FY 2014 was \$289,931.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

**ESTILL COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 6. Employee Retirement System (Continued)**

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 7. Deferred Compensation**

On February 24, 2000, the Estill County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 8. Insurance**

For the fiscal year ended June 30, 2014, Estill County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2014**



**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2014**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 1,557,364	\$ 1,561,932	\$ 1,658,307	\$ 96,375
In Lieu Tax Payments	2,500	2,500		(2,500)
Excess Fees		109,500	109,500	
Licenses and Permits	11,500	11,500	12,256	756
Intergovernmental Revenue	121,909	125,367	87,405	(37,962)
Charges for Services	263,100	263,175	280,034	16,859
Miscellaneous	362,835	369,414	317,325	(52,089)
Interest	100	4,024	3,929	(95)
Total Receipts	2,319,308	2,447,412	2,468,756	21,344
<b>DISBURSEMENTS</b>				
General Government	679,033	783,781	749,021	34,760
Protection to Persons and Property	648,809	419,462	390,872	28,590
General Health and Sanitation	47,100	120,055	98,254	21,801
Social Services	151,450	171,290	157,467	13,823
Debt Service	56,500	73,111	73,021	90
Administration	622,189	519,684	504,678	15,006
Total Disbursements	2,205,081	2,087,383	1,973,313	114,070
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	114,227	360,029	495,443	135,414
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	117,082	117,082	346,272	229,190
Transfers To Other Funds	(266,309)	(266,309)	(833,845)	(567,536)
Total Other Adjustments to Cash (Uses)	(149,227)	(149,227)	(487,573)	(338,346)
Net Change in Fund Balance	(35,000)	210,802	7,870	(202,932)
Fund Balance Beginning	35,000	36,076	35,969	(107)
Fund Balance - Ending	\$ 0	\$ 246,878	\$ 43,839	\$ (203,039)

**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>ROAD FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
In Lieu Tax Payments	\$ 17,000	\$ 17,000	\$ 16,052	\$ (948)
Intergovernmental Revenue	1,259,763	1,346,344	1,300,422	(45,922)
Charges for Services	160,000	332,571	332,571	
Miscellaneous	51,000	56,541	70,288	13,747
Interest	100	100	29	(71)
Total Receipts	<u>1,487,863</u>	<u>1,752,556</u>	<u>1,719,362</u>	<u>(33,194)</u>
<b>DISBURSEMENTS</b>				
Roads	941,066	1,240,468	1,158,805	81,663
Debt Service	90,000	90,000	47,889	42,111
Capital Projects	105,000	50,229	29,004	21,225
Administration	376,797	396,859	334,368	62,491
Total Disbursements	<u>1,512,863</u>	<u>1,777,556</u>	<u>1,570,066</u>	<u>207,490</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>149,296</u>	<u>174,296</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	117,082	117,082	55,500	(61,582)
Transfers To Other Funds	<u>(117,082)</u>	<u>(117,082)</u>	<u>(185,000)</u>	<u>(67,918)</u>
Total Other Adjustments to Cash (Uses)			<u>(129,500)</u>	<u>(129,500)</u>
Net Change in Fund Balance	(25,000)	(25,000)	19,796	44,796
Fund Balance Beginning	<u>25,000</u>	<u>25,000</u>	<u>22,794</u>	<u>(2,206)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 42,590</u>	<u>\$ 42,590</u>



**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 337,861	\$ 337,861	\$	\$ (337,861)
Intergovernmental Revenue	119,167	119,167	100,613	(18,554)
Charges for Services	39,500	39,500	10,440	(29,060)
Miscellaneous	4,800	4,800	1,128	(3,672)
Interest	50	50	19	(31)
Total Receipts	<u>501,378</u>	<u>501,378</u>	<u>112,200</u>	<u>(389,178)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	477,818	738,631	723,648	14,983
Debt Service	15,487	14,787	13,884	903
Administration	158,800	145,565	122,072	23,493
Total Disbursements	<u>652,105</u>	<u>898,983</u>	<u>859,604</u>	<u>39,379</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(150,727)</u>	<u>(397,605)</u>	<u>(747,404)</u>	<u>(349,799)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>149,227</u>	<u>149,227</u>	<u>778,345</u>	<u>629,118</u>
Total Other Adjustments to Cash (Uses)	<u>149,227</u>	<u>149,227</u>	<u>778,345</u>	<u>629,118</u>
Net Change in Fund Balance	(1,500)	(248,378)	30,941	279,319
Fund Balance Beginning	<u>1,500</u>	<u>1,500</u>	<u>499</u>	<u>(1,001)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (246,878)</u>	<u>\$ 31,440</u>	<u>\$ 278,318</u>

**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 9,450	\$ 9,450	\$ 8,168	\$ (1,282)
Intergovernmental Revenue	35,000	35,000	25,888	(9,112)
Interest	50	50	16	(34)
Total Receipts	44,500	44,500	34,072	(10,428)
<b>DISBURSEMENTS</b>				
General Government	12,500	12,500	11,213	1,287
Protection to Persons and Property	8,500	13,105	10,012	3,093
General Health and Sanitation	3,000	5,000	2,202	2,798
Social Services	7,550	3,284	165	3,119
Recreation and Culture	17,000	21,700	20,950	750
Roads	2,250	2,250		2,250
Administration	6,450	1,898		1,898
Total Disbursements	57,250	59,737	44,542	15,195
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(12,750)	(15,237)	(10,470)	4,767
Net Change in Fund Balance	(12,750)	(15,237)	(10,470)	4,767
Fund Balance Beginning	12,750	15,237	15,237	
Fund Balance - Ending	\$ 0	\$ 0	\$ 4,767	\$ 4,767

**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>STATE GRANTS FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental Revenue	\$ 148,500	\$ 148,500	\$ 36,096	\$ (112,404)
Charges for Services	2,000	12,513	10,514	(1,999)
Miscellaneous	3,000	35,049	51,849	16,800
Total Receipts	153,500	196,062	98,459	(97,603)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	11,000	38,117	26,117	12,000
General Health and Sanitation	30,500	36,985	22,590	14,395
Recreation and Culture	100,000	100,000	42,363	57,637
Capital Projects	12,000	14,210	14,153	57
Administration		27,970	411	27,559
Total Disbursements	153,500	217,282	105,634	111,648
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(21,220)	(7,175)	14,045
Net Change in Fund Balance		(21,220)	(7,175)	14,045
Fund Balance Beginning		21,220	21,220	
Fund Balance - Ending	\$ 0	\$ 0	\$ 14,045	\$ 14,045

**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

**EMERGENCY SERVICES COMMUNICATION FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Charges for Services	\$ 12,500	\$ 12,500	\$ 12,553	\$ 53
Interest			36	36
Total Receipts	12,500	12,500	12,589	89
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	29,000	29,000	3,310	25,690
Administration	14,670	18,116		18,116
Total Disbursements	43,670	47,116	3,310	43,806
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(31,170)	(34,616)	9,279	43,895
Net Change in Fund Balance	(31,170)	(34,616)	9,279	43,895
Fund Balance Beginning	31,170	34,616	34,616	
Fund Balance - Ending	\$ 0	\$ 0	\$ 43,895	\$ 43,895

**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>SEARCH AND RESCUE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
<b>RECEIPTS</b>			
Intergovernmental Revenue	\$ 1,000	\$ 1,000	\$ (1,000)
Total Receipts	1,000	1,000	(1,000)
<b>DISBURSEMENTS</b>			
Protection to Persons and Property	1,000	1,000	1,000
Administration	1,000	1,000	1,000
Total Disbursements	2,000	2,000	2,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,000)	(1,000)	1,000
Net Change in Fund Balance	(1,000)	(1,000)	1,000
Fund Balance Beginning	1,000	1,000	(1,000)
Fund Balance - Ending	\$ 0	\$ 0	\$ 0

**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>CSEPP FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental Revenue	\$ 1,957,392	\$ 1,957,392	\$ 780,622	\$ (1,176,770)
Miscellaneous		234	22,076	21,842
Total Receipts	<u>1,957,392</u>	<u>1,957,626</u>	<u>802,698</u>	<u>(1,154,928)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	1,886,334	1,967,334	713,252	1,254,082
Administration	71,058	94,129	70,562	23,567
Total Disbursements	<u>1,957,392</u>	<u>2,061,463</u>	<u>783,814</u>	<u>1,277,649</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(103,837)</u>	<u>18,884</u>	<u>122,721</u>
Net Change in Fund Balance		(103,837)	18,884	122,721
Fund Balance Beginning		<u>103,837</u>	<u>103,837</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 122,721</u>	<u>\$ 122,721</u>

**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>911/CMRS FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Charges for Services	\$ 85,000	\$ 91,964	\$ 116,553	\$ 24,589
Total Receipts	85,000	91,964	116,553	24,589
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	75,000	75,000	19,247	55,753
Administration	85,000	124,480	391	124,089
Total Disbursements	160,000	199,480	19,638	179,842
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(75,000)	(107,516)	96,915	204,431
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds			(150,000)	(150,000)
Total Other Adjustments to Cash (Uses)			(150,000)	(150,000)
Net Change in Fund Balance	(75,000)	(107,516)	(53,085)	54,431
Fund Balance Beginning	75,000	107,516	107,516	
Fund Balance - Ending	\$ 0	\$ 0	\$ 54,431	\$ 54,431

**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>HOMELAND SECURITY GRANT FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
<b>RECEIPTS</b>			
Intergovernmental Revenue	\$ 10,000	\$ 10,000	\$ (10,000)
Total Receipts	10,000	10,000	(10,000)
<b>DISBURSEMENTS</b>			
Protection to Persons and Property	10,000	10,000	10,000
Total Disbursements	10,000	10,000	10,000
Net Change in Fund Balance			
Fund Balance Beginning			
Fund Balance - Ending	\$ 0	\$ 0	\$ 0



**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

	PLANNING AND PREPAREDNESS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental Revenue	\$ 2,500	\$ 2,500	\$	\$ (2,500)
Total Receipts	2,500	2,500		(2,500)
DISBURSEMENTS				
Protection to Persons and Property	2,500	5,000		5,000
Total Disbursements	2,500	5,000		5,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(2,500)		2,500
Net Change in Fund Balance		(2,500)		2,500
Fund Balance Beginning		2,500	2,500	
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,500	\$ 2,500

**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>EMERGENCY MANAGEMENT FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental Revenue	\$ 6,500	\$ 14,731	\$ 18,156	\$ 3,425
Total Receipts	6,500	14,731	18,156	3,425
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	6,500	14,731	3,458	11,273
Total Disbursements	6,500	14,731	3,458	11,273
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			14,698	14,698
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds			(11,272)	(11,270)
Total Other Adjustments to Cash (Uses)			(11,272)	(11,270)
Net Change in Fund Balance			3,426	3,426
Fund Balance Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 3,426	\$ 3,426

**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>CITIZENS EMERGENCY RESPONSE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Charges for Services	\$ 1,000	\$ 1,000	\$	\$ (1,000)
Total Receipts	1,000	1,000		(1,000)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	1,000	5,531	710	4,821
Total Disbursements	1,000	5,531	710	4,821
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(4,531)	(710)	3,821
Net Change in Fund Balance		(4,531)	(710)	3,821
Fund Balance Beginning		4,531	4,531	
Fund Balance - Ending	\$ 0	\$ 0	\$ 3,821	\$ 3,821

**ESTILL COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION – BUDGETARY COMPARISON SCHEDULES**

**June 30, 2014**

**Note 1. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

**Note 2. Reconciliation of the Road Fund**

Total Disbursements - Budgetary Comparison Schedule	\$ 1,570,066
Add: Debt Proceeds Disbursements Not Budgeted	<u>97,933</u>
 Total Disbursements - Statement of Receipts, Disbursements, and Changes In Fund Balances - Regulatory Basis	 <u><u>\$ 1,667,999</u></u>
 Total Other Adjustments to Cash (Uses) - Budgetary Comparison Schedule	 \$ (129,500)
Add: Debt Proceeds Not Budgeted	<u>97,933</u>
 Total Other Adjustments to Cash (Uses) - Statement of Receipts, Disbursements, and Changes In Fund Balances - Regulatory Basis	 <u><u>\$ (31,567)</u></u>

**ESTILL COUNTY**  
**SUPPLEMENTARY SCHEDULE**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**



**ESTILL COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2014**

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 575,000	\$	\$	\$ 575,000
Construction In Progress	63,616	42,363		105,979
Buildings	5,380,953	41,173		5,422,126
Equipment	3,601,896	117,349		3,719,245
Vehicles	1,421,821	116,426		1,538,247
Infrastructure	4,756,449	345,981		5,102,430
 Total Capital Assets (Restated)	 <u>\$ 15,799,735</u>	 <u>\$ 663,292</u>	 <u>\$</u>	 <u>\$16,463,027</u>

**ESTILL COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION – SCHEDULE OF CAPITAL ASSETS**

**June 30, 2014**

**Note 1. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 10,000	3-25
Vehicles	\$ 10,000	5-10
Infrastructure	\$ 20,000	10-50

**Note 2. Restatement of Beginning Balance**

The beginning balance for Buildings was restated by \$360,867 due to the senior citizens building not being included on the capital assets schedule in prior years.



**ESTILL COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



**ESTILL COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Fiscal Year Ended June 30, 2014**

Federal Grantor Program Title Grant Name (CFDA #)	Pass-Through Grantor's Number	Expenditures
Cash Programs:		
<u>U.S. Department of Homeland Security</u>		
Passed Through Kentucky Department of Military Affairs:		
Chemical Stockpile Emergency Preparedness Program (CFDA 97.040)	EMA - 2014 - CA - 5461	\$ 783,814 *
Public Assistance - Disaster Grant (CFDA 97.036)	FEMA DR 1818KY	29,047
Emergency Management Performance Grant (CFDA 97.042)	Not Available	<u>18,157</u>
Total Cash Expenditures of Federal Awards		<u>\$ 831,018</u>

\* Tested as a major program.

**ESTILL COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2014**

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Estill County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 - Determination of Major Program

The Type A program for the fiscal year is any program for which total expenditures of federal awards exceed \$300,000 for fiscal year 2014 or were deemed high risk. There was one Type A program. The major program tested was:

- Chemical Stockpile Emergency Preparedness Program (CFDA #97.040)

Note 3 - Noncash Expenditures

There were no noncash expenditures of federal awards for fiscal year 2014.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***



**TEDDY MICHAEL PRATER CPA, PLLC**  
**HC 62 Box 291**  
**Salyersville, KY 41465**  
**Telephone (606) 349-8042**

The Honorable Wallace Taylor, Estill County Judge/Executive  
Members of the Estill County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Estill County Fiscal Court for the fiscal year ended June 30, 2014, and the related notes to the financial statement and have issued our report thereon dated February 23, 2016. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Estill County Fiscal Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Estill County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Estill County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-009 to be a material weakness.

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With *Government Auditing Standards*  
(Continued)

### **Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Estill County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-001, 2014-002, 2014-003, 2014-004, 2014-005, 2014-006, 2014-007, and 2014-008.

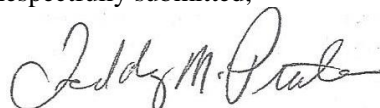
### **County Judge/Executive's and Jailer's Responses to Findings**

The Estill County Judge/Executive's and Jailer's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Judge/Executive's and Jailer's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Teddy M. Prater", is written over a light gray circular stamp.

Teddy Michael Prater CPA, PLLC

February 23, 2016



**REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



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The Honorable Wallace Taylor, Estill County Judge/Executive  
Members of the Estill County Fiscal Court

**Report On Compliance With Requirements  
That Could Have A Direct And Material Effect On Each Major Program  
And On Internal Control Over Compliance In Accordance With OMB Circular A-133**

**Independent Auditor's Report**

**Compliance**

We have audited the compliance of Estill County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Estill County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the entity's management.

**Auditor's Responsibility**

Our responsibility is to express an opinion on Estill County's compliance with the applicable compliance requirements based on our compliance audit.

We conducted our compliance audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and Circular A-133 require that we plan and perform the compliance audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. A compliance audit includes examining, on a test basis, evidence about Estill County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our compliance audit provides a reasonable basis for our opinion. Our compliance audit does not provide a legal determination on Estill County's compliance with those requirements.

**Opinion**

In our opinion, Estill County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report On Compliance With Requirements  
That Could Have A Direct And Material Effect On Each Major Program  
And On Internal Control Over Compliance In Accordance With OMB Circular A-133  
(Continued)

### Internal Control over Compliance

The management of the Estill County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our compliance audit, we considered Estill County's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our compliance auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Estill County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### Restricted Use

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Teddy Michael Prater CPA, PLLC

February 23, 2016

**ESTILL COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For The Year Ended June 30, 2014**



**ESTILL COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Fiscal Year Ended June 30, 2014**

**Section I: Summary of Auditor's Results**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Is any noncompliance material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

***Federal Awards***

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any audit findings disclosed that are required to be reported in accordance with <u>U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, Section .510(a)</u> ?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major program:

CFDA Numbers and Name of Federal Program or Cluster

CFDA #97.040 Chemical Stockpile Emergency Preparedness Program
--

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Is the auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**ESTILL COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2014**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**STATE LAWS AND REGULATIONS**

2014-001 County Employees Should Not Be Compensated As Independent Contractors

We found that the fiscal court paid a Limited Liability Company that the Road Supervisor was a member of, in the amount of \$18,434, during fiscal year ending June 30, 2014. According to IRS Publication 15A, Circular E, the fiscal court must distinguish an individual as either an employee or an independent contractor. If the individual is distinguished as an employee, all compensation is considered wages and all earnings are subject to the applicable withholdings. We recommend the fiscal court cease the practice of paying individuals as both employees and independent contractors. Further, we recommend the fiscal court refer this matter to the county ethics commission.

*County Judge/Executive Wallace Taylor's Response: No longer in business.*

2014-002 The County Should Pay Invoices Within 30 Working Days

During the course of our audit, we found 20 invoices totaling \$859,605 that were not paid within 30 working days. KRS 65.140(2) states that all bills for goods or services shall be paid within thirty (30) working days of receipt of vendor's invoice except when payment is delayed because the purchasers have made a written disapproval of improper invoicing by the vendor or by the vendor's subcontractor. It continues to state that if a payment of invoices exceeds 30 days, a one percent interest penalty should be added. We recommend that the county comply with KRS 65.140, by paying invoices within 30 working days and avoiding penalties/finance charges.

*County Judge/Executive Wallace Taylor's Response: With the way state and federal funds drop down this causes problem.*

2014-003 The Fiscal Court Should Approve Annually A Salary Schedule

The fiscal court did not approve and set the salaries for county employees. KRS 64.530 states the fiscal court of each county shall fix the reasonable compensation of every county officer and employee. We recommend the county list all employees and each salary or hourly pay rate. The county should also include the starting pay rates for entry-level positions. The county should revise this list as increases in pay are approved by the fiscal court.

*County Judge/Executive Wallace Taylor's Response: We have some departments worked out.*



**ESTILL COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2014**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)**

STATE LAWS AND REGULATIONS (CONTINUED):

2014-004 Payroll Taxes Should Be Properly Calculated

---

During payroll testing we found the following payroll withholdings were not deducted properly from employees' wages:

- Withholding for payments to the Kentucky Public Employees' Deferred Compensation were deducted from Social Security and Medicare wages. Deferred compensation withholdings should only be deducted from federal and state tax calculations. By not including deferred compensation withholdings, the amount of Social Security and Medicare taxes paid was reduced.
- Withholding for payments to supplemental insurances, such as AFLAC and Colonial, were deducted from local wages. Local payroll tax should be calculated based on gross wages prior to any deductions. By not including supplemental insurances, the amount of taxes withheld and paid to the county was reduced.

We recommend the county correct this issue to ensure all payroll taxes are paid properly.

*County Judge/Executive Wallace Taylor's Response: Working on.*

2014-005 The Jailer Did Not Prepare Or Submit An Annual Commissary Report To The County Treasurer

---

The Jailer did not submit an annual commissary report to the County Treasurer. KRS 441.135(2) says the Jailer "shall annually report to the county treasurer on the canteen account." The Jailer did not prepare a commissary report for the fiscal year ending June 30, 2014 until requested by the auditors. By not submitting a commissary report, the county is unaware of the activities of the jail commissary. We recommend the Jailer submit an annual commissary report to the County Treasurer at the end of each fiscal year.

*County Jailer Bo Morris' Response: Was made aware of and paper will be submitted annually.*

2014-006 The Jailer Should Account For Receipts Properly

---

Receipts are not properly issued at the Jail. The Jailer should issue three-part receipt forms for all funds received, such as bond fees and any other moneys collected at the Jail. At the end of each business day the Jailer or assigned personnel should total the receipts issued on a daily check-out sheet and then post the amounts to the correct category on the receipts ledger. The Jailer should retain a copy of the receipt and attach in sequential order to daily cash check-out or deposit record, and retain a copy to remain in file. Voided receipts should be so marked, copies one and two kept in numerical order with check-out records, and copy three remaining in file. These procedures are required by the accounting and reporting standards as prescribed by the State Local Finance Officer pursuant to KRS 68.210. We recommend the Jailer ensure all funds collected at the Jail are accounted for properly.

*County Jailer Bo Morris' Response: Daily sheets are being done at present time, started May 1, 2015.*

**ESTILL COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2014**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)**

STATE LAWS AND REGULATIONS (CONTINUED):

2014-007    The Jailer Should Deposit All Funds Daily

---

We found that the receipts collected at the Jail were not being deposited on a daily basis. Daily deposits are required by the minimum accounting and reporting standards as prescribed by the State Local Finance Officer pursuant to KRS 68.210. Deposits were made at the Jailer's discretion and only twelve deposits were made during the fiscal year. The Jail receives a significant amount of cash receipts. Due to the high risk associated with cash, it is crucial that the Jailer make daily deposits. We recommend the Jailer deposit funds on a daily basis.

*County Jailer Bo Morris' Response: Is in the works, with limited staff.*

2014-008    Excess Restricted Road Funds Were Transferred To The General Fund, Creating A Liability Of \$6,909 Owed From The General Fund To The Road Fund

---

Road funds can only be spent on roads, except for the amount approved by Department for Local Government on the Road Cost Allocation Worksheet. During the year, we determined the Road Fund transferred an excess of \$6,909 to the General Fund, creating a liability of \$6,909 owed from the General Fund to the Road Fund. Under the regulatory basis of accounting, fund balances are not adjusted for the unpaid liability on the financial statement, however the liability is still owed. We recommend the General Fund liability be paid as money becomes available.

We will refer this to the Kentucky Transportation Cabinet.

*County Judge/Executive Wallace Taylor's Response: Upon review of the allocation worksheet, it appears that not all allowable expenses were used in determining the actual percentage rate for transfers.*

INTERNAL CONTROL - MATERIAL WEAKNESS:

2014-009    The Jailer Lacks Adequate Segregation Of Duties Over The Accounting Functions Of The Jail Commissary Fund

---

A lack of segregation of duties exists over the accounting function at the jail. The Jailer receives cash from the inmates for release fees and commissary purchases. He makes the deposits and remits inmate fees to the County Treasurer. He makes all payments from the commissary fund, as he is the only check signer. Segregation of duties over accounting functions, such as the ones mentioned above, or implementation of compensating controls when limited by the number of staff is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. When faced with a limited number of staff, strong compensating controls should be in place to offset the lack of segregation of duties. If compensating controls are implemented, they should be documented by initialing the supporting documentation reviewed. Implementation of the following procedures could strengthen controls at the jail.

- An independent person should agree daily deposits to receipts issued, daily checkout sheets, and the receipts ledger.
- An independent person should reconcile the bank account to the receipts and disbursements ledgers.
- An independent person should compare invoices to payments.

**ESTILL COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2014**  
**(Continued)**

*County Jailer Bo Morris' Response: Staff limitations is main problem.*

**ESTILL COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2014**  
**(Continued)**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

None.

**D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None.

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**ESTILL COUNTY FISCAL COURT**

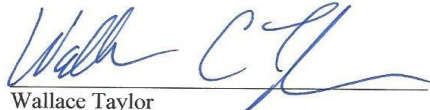
**For The Fiscal Year Ended  
June 30, 2014**



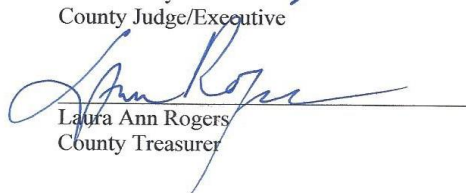
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
ESTILL COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2014

The Estill County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Wallace Taylor  
County Judge/Executive



Laura Ann Rogers  
County Treasurer

